

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 FPC-01 FEAE-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 IO-14 PA-04 PRS-01

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R 311255Z MAY 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3553

INFO AMEMBASSY ASUNCION

AMEMBASSY BUENOS AIRES

AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LAPAZ

AMEMBASSY LIMA

AMEMBASSY MEXICO

AMEMBASSY MONTEVIDEO

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: PFOR, ENERG, BR

SUBJECT: NATURAL GAS AGREEMENT WITH BOLIVIA RAISES

IMPERIALIST CHARGE

REF: LA PAZ 3356

1. SUMMARY: AT MAY 22 CEREMONY FOR SIGNING OF BRAZIL-BOLIVIA
"AGREEMENT OF COOPERATION AND INDUSTRIAL COMPLEMENTATION",

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BRAZILIAN PRESIDENT GEISEL, IN SOMEWHAT PATRONIZING SPEECH,

RECOMMENDED BRAZIL-BOLIVIA COOPERATION AS MODEL FOR LA DEVELOPMENT, STATED GOB POLICY FAVORS LAFTA AND RIVER PLATE TREATY, AND EXPRESSED SUPPORT FOR OBJECTIVES OF ANDEAN PACT. INTENTION OF SPEECH MAY HAVE BEEN TO ESTABLISH CREDENTIALS AS GOOD REGIONAL PARTNER, BUT THRUST WAS THAT OF ECONOMIC LEADER DECLARING WILLINGNESS TO SHARE BENEFITS OF PROGRESS WITH LESS FORTUNATE NEIGHBORS. CHARGES IN OTHER COUNTRIES OF BRAZILIAN IMPERIALISM BROUGHT SHARP REFUTATIONS FROM GOB AND NATIONAL PRESS. ON ECONOMIC SIDE, BOLIVIAN GAS IS IMPORTANT TO MAINTAINING PACE OF BRAZILIAN EXPANSION OVER NEXT FEW YEARS, ALTHOUGH IN LONGER RUN, REQUIREMENTS WILL FAR EXCEED BOLIVIAN CAPACITY TO SUPPLY. END SUMMARY.

2. IN HIS SPEECH, GEISEL EMPHASIZED A COMMUNITY OF INTERESTS BETWEEN BRAZILIANS AND BOLIVIANS AND IDENTIFICATION WITH SAME SOCIAL PRINCIPLES AND ECONOMIC ASPIRATIONS. HE SAID THAT THE ECONOMIC GROWTH OF ONE STATE IS NOT SUFFICIENT IN ITSELF AND COMMENTED THAT THE LATIN AMERICAN NATIONS HAVE REACHED A STAGE IN WHICH THEIR ASPIRATIONS FOR DEVELOPMENT, SECURITY AND PEACE COINCIDE WITH A FEELING OF HEMISPHERIC SOLIDARITY. "THE PRIORITY OBLIGATION TO PROMOTE DEVELOPMENT CANNOT BE ACCOMPLISHED UNLESS IT IS IN HARMONY WITH THE JUST AND BALANCED WISHES OF THE FRATERNAL COMMUNITY....WE ARE CONVINCED THAT THE EFFORTS MADE THROUGH COOPERATION AMONG THE HEMISPHERE'S NATIONS, INSTEAD OF INCREASING THE IMBALANCES, WILL TEND TO INTENSIFY TRADE FLOWS, TO PROMOTE ECONOMIC COMPLEMENTATION AND INTEGRATION, TO BETTER THE SOCIAL STRUCTURES, AND CONSEQUENTLY TO PROMOTE GENERAL WEALTH..." GEISEL EXPRESSED SUPPORT FOR THE OAS AS THE BASIC INSTRUMENT FOR CONTINENTAL COOPERATION. HE SAID BRAZIL'S CONTINENTAL POLICY, BASED ON SINCERE AND OPEN PARTICIPATION, INCLUDED LAFTA AS THE APPROPRIATE FORUM FOR THE PROMOTION AND INTENSIFICATION OF INTRA-REGIONAL TRADE AND RECOGNIZED THE NEED FOR STRENGTHENING LAFTA THROUGH MEASURES COMPATIBLE WITH THE INTERESTS OF ITS MEMBER-COUNTRIES. ATTENTIVE TO THOSE INTERESTS, HE CONTINUED, BRAZIL HAS CONTRIBUTED ACTIVELY TO THE ACHIEVEMENT OF THE GOALS OF THE RIVER PLATE BASIN TREATY AND SUPPORTS THE MOVEMENT TOWARD SUB-REGIONAL INTEGRATION OF THE PACT OF CARTAGENA. HE CITED

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RELATIONS BETWEEN BRAZIL AND BOLIVIA AS EVIDENCE OF THIS SPIRIT OF SOLIDARITY. "WE ARE OPENING A BROAD PANORAMA OF COLLABORATION BETWEEN THE PEOPLE OF BRAZIL AND BOLIVIA. THE AGREEMENT FOR COOPERATION AND INDUSTRIAL COMPLEMENTATION THAT WE HAVE ENTERED INTO STANDS AS A PRECURSORY SIGN OF THIS NEW AMERICAN REALITY WHICH APPEARS WITH DOMINATING FORCE AND INCREASING BENEFIT; THE EVIDENCE OF WHICH IS THAT, WITHIN THE CONTINENTAL SYSTEM THERE IS

NEITHER PLACE FOR AUTONOMOUS DEVELOPMENT NOR THAT WHICH DOES NOT TAKE INTO CONSIDERATION THE IMPORTANCE OF COMMON INTERESTS. THESE AGREEMENTS MARK A RECIPROCAL CONFIDENCE AND WILL FOR BROADER COOPERATION AND CLOSER ASSOCIATION OF OUR COUNTRIES."

3. NATIONAL PRESS GAVE HEAVY COVERAGE TO SIGNING OF AGREEMENT AND PRESIDENTIAL VISIT WITH EMPHASIS ON WARM PERSONAL RECEPTION RECEIVED BY GEISEL. INITIAL EDITORIALS, MAINLY IN GOB SUPPORTING PAPERS, PLAYED UP ALTRUISTIC ANGLE OF BRAZIL'S CONTRIBUTION TO BOLIVIAN DEVELOPMENT. OTHER PAPERS DESCRIBED GAS AGREEMENT AS A GOOD DEAL FOR BRAZIL BUT EXPENSIVE IN TERMS OF FINANCIAL AND ECONOMIC CONCESSIONS. GOB PROMISE TO GRANT BOLIVIA FREE TRANSIT TO PORTS OF SANTOS AND BELEM WAS NOTED AS IMPORTANT ELEMENT IN REACHING AGREEMENT. ON MAY 24, PRESS CARRIED ARTICLE, DATED IN MEXICO CITY, QUOTING COLOMBIAN AMBASSADOR TO MEXICO AS WARNING THE MEXICANS AND ANDEAN PACT NATIONS AGAINST "THE DANGER OF THE NEW IMPERIALISM OF THE 21ST CENTURY - BRAZIL." THIS REPORT, ADDING TO WELL-PUBLICIZED DOMESTIC CRITICISM IN PARAGUAY OVER ITAIPU DAM, IN BOLIVIA OVER GAS SALE, AND IN COLOMBIA OVER PROSPECTIVE COAL PURCHASE BY BRAZIL, TOUCHED SENSITIVE NERVE AND SPARKED SHARP REFUTATIONS FROM BOTH GOB AND NATIONAL PRESS. A WIDE ASSORTMENT OF NEWSPAPERS CARRIED LENGTHY EDITORIALS DENOUNCING ALLEGED STATEMENT BY COLOMBIAN AND STRONGLY SUPPORTING GOB ECONOMIC INITIATIVES WITH NEIGHBORING COUNTRIES. EDITORIALS UNDERSCORED BENEFITS THAT WOULD ACCRUE TO BOLIVIA AND PARAGUAY FROM GAS AND ITAIPU PROJECTS, NOTED GENEROSITY OF GOB CONCESSIONS, AND DECRIED ATTEMPTS TO DISTORT GOB INTENTIONS FOR REGIONAL COOPERATION AND DEVELOPMENT.

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4. THE MAJOR OFFICIAL REACTION CAME WITH THE RELEASE OF AN INTERVIEW OF GEISEL BY THE LA PAZ PAPER, HOY, PRIOR TO THE SIGNING OF THE NATURAL GAS AGREEMENT. GEISEL WAS QUOTED AS STATING THAT IT WAS "PURE FANTASY, IF NOT MALICE, TO THINK THAT BRAZIL WOULD ENGAGE IN AN ADVENTURE TO OCCUPY FOREIGN TERRITORY, NO MATTER HOW PEACEFULLY. I CAN ASSURE YOU THAT SUCH A PLAN NEVER EXISTED, NOR WILL EXIST." FOREIGN MINISTRY SOURCES ISSUED SIMILAR STATEMENTS, PROTESTING CHARGES OF IMPERIALISM AGAINST A COUNTRY THAT LIMITED OFFICIAL USE

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WAS TRYING TO EXTEND THE BENEFITS OF ITS OWN DEVELOPMENT TO THE GROWTH OF OTHERS.
A JORNAL DO BRASIL ARTICLE, BASED ON CONVERSATIONS WITH FOREIGN MINISTRY OFFICIALS, SAID THAT INSTRUCTIONS WERE GOING OUT TO BRAZILIAN AMBASSADORS THROUGHOUT THE HEMISPHERE TO REFUTE THE IMPERIALISM CHARGE AT EVERY OPPORTUNITY, PARTICULARLY IN PLACES WHERE ACCUSATIONS OF BRAZILIAN EXPANSIONIST PLANS ARE HABITUAL, MAINLY BUENOS AIRES, CARACAS, MEXICO, BOGOTA AND CERTAIN PLACES IN THE UNITED STATES. THE ARTICLE SAID THAT THE MINISTRY DOES NOT DENY THE GOB INTENTION TO ESTABLISH IMPORTANT ECONOMIC TIES WITH ITS NEIGHBORS, BEING CONVINCED THAT THIS IS A VALID AND HONEST WAY TO PROMOTE INTERESTS AND MAINTAIN MATURE AND MUTUALLY BENEFICIAL RELATIONS. THE ARTICLE CONTINUED THAT ONE OF THE MAJOR OBJECTIVES OF THE GEISEL GOVERNMENT WAS ECONOMIC INTEGRATION WITH NEIGHBORING COUNTRIES WHICH WAS ONE FACET OF THE GOVERNMENT'S POLICY OF "RESPONSIBLE PRAGMATISM"

5. COMMENT: TERMS OF COOPERATION AGREEMENT CONTAIN ONLY SLIGHT CHANGES FROM DOCUMENT INITIALED SEVERAL MONTHS AGO BY BRAZILIAN AND BOLIVIAN NEGOTIATORS (BRASILIA A-163, DECEMBER 17, 1973). ONLY SIGNIFICANT NEW ITEM WAS MENTION OF COLLABORATION ON POSSIBLE INSTALLATION OF ETHYLENE PLANT. GEISEL'S SPEECH, ON OTHER HAND, WHILE FILLED WITH RHETORICAL PLATITUDES, WAS A CLEAR INDICATION THAT BRAZIL IS READY TO ASSUME ECONOMIC LEADERSHIP IN LATIN AMERICA. GEISEL PAID LESS ATTENTION TO PROTESTATIONS AGAINST FEARS OF BRAZILIAN HEGEMONIC ASPIRATIONS THAN APPEARED IN PREVIOUS (AND NOW SUBSEQUENT) GOB RATHER, HE STRUCK TONE THAT BRAZIL IS NOW A COUNTRY THAT HAS MADE IT ECONOMICALLY AND IS WILLING TO SHARE SOME OF ITS BOUNTY AND DEVELOPMENT KNOW-HOW WITH ITS LESS FORTUNATE NEIGHBORS. WHILE INTENTION MAY HAVE BEEN TO DEMONSTRATE RENEWED GOB INTEREST IN REGIONAL DEVELOPMENT, THRUST OF SPEECH CONVEYED MESSAGE THAT CLOSE ECONOMIC TIES WITH BRAZIL WAS ANSWER TO LA ASPIRATIONS FOR DEVELOPMENT. PRIVATE BRAZILIAN COMMENTS TO EMBASSY ON IMPERIALIST CHARGE HAVE RANGED FROM MILD ANNOYANCE TO STRONG INDIGNATION. SECRETARY GENERAL OF MINISTRY OF INDUSTRY AND COMMERCE TOLD EMBASSY OFFICER THAT SUCH CHARGES WERE NONSENSE, ADDING THAT GOB HAD ENOUGH WORK ON ITS HANDS JUST TRYING TO DEVELOP BRAZIL WITHIN INTERFERING IN OTHER COUNTRIES. HE COMMENTED THAT BOLIVIAN GAS WAS NOT LIMITED OFFICIAL USE

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IMPORTANT ENOUGH TO BRAZIL'S OVERALL DEVELOPMENT PROGRAM TO JUSTIFY SUCH INVOLVEMENT. HE SAID IMPERIALIST CHARGES FROM COLOMBIA MADE EVEN LESS SENSE SINCE COAL PURCHASE WOULD BE ALMOST A STRIGHT COMMERCIAL DEAL. IN TALK WITH DAO, SENATOR JARBAS PASSARINHO, EDUCATION MINISTER IN MEDICI GOVERNMENT, REACTED STRONGLY, DENOUNCING MISINTERPRETATIONS OF BRAZILIAN GENEROSITY. HE POINTED OUT WITH AMAZEMENT THAT TERMS OF AGREEMENT WERE SIMILAR TO THAT OF USAID LOANS TO BRAZIL IN PAST AND THREATENED ONLY HALF-JOKINGLY TO DENOUNCE THE AGREEMENT IN THE SENATE AS A BAD DEAL FOR BRAZIL.

6. ON NATURAL GAS DEAL, NEGOTIATIONS SINCE DECEMBER OVER PRICE LED TO IMPASSE WITH BRAZIL OFFERING 65 CENTS PER THOUSAND CUBIC FEET AND BOLIVIA ASKING 85 CENTS. GOVERNMENTS HAVE AGREED TO DEFER FINAL PRICE SETTLEMENT UNTIL INTERNATIONAL FUEL MARKETS ARE MORE SETTLED. PRIVATE SECTOR SOURCE INFORMED EMBASSY THAT DURING INITIAL PERIOD UNTIL BRAZILIAN INDUSTRIAL USERS WERE OPERATIONS, CITIES OF RIO AND SAO PAULO WOULD USE MOST OF GAS FROM BOLIVIA. HOWEVER, HE COMMENTED THAT EVENTUAL BRAZILIAN GAS REQUIREMENTS WOULD FAR EXCEED BOLIVIAN CAPACITY TO SUPPLY, AND THAT PETROBRAS HAS BEEN WORKING WITH PHILLIPS ON POSSIBLE LONG-TERM SUPPLY ARRANGEMENT WITH NIGERIA. HE ALSO SAID THAT BRAZIL HAS BEEN DISCUSSING SHORT-TERM DEAL, 2-3 YEARS, FOR LIQUIFIED GAS FROM CHILE. SECRETARY GENERAL OF

INDUSTRY AND COMMERCE TOLD EMBASSY THAT DECISIONS HAD NOT YET BEEN MADE WITH RESPECT TO INDUSTRIAL AND HOUSEHOLD UTILIZATION OF BOLIVIAN GAS. HE SAID ONE OPTION WAS THAT ENTIRE SUPPLY WOULD GO TO FERTILIZER PRODUCTION. HE SAID TIMETABLE FOR FIRST DELIVERIES WAS STILL OPEN AND THAT 3 TO 5 YEARS WAS PROBABLE. HE SAID GOB PROMOSE TO LEND \$50 MILLION FOR BOLIVIAN DEVELOPMENT INCLUDED \$10 MILLION SOFT LOAN FOR STUDIES, TO BE SIGNED WITHIN NEXT FEW WEEKS, AND \$40 MILLION FOR PROCUREMENT IN BRAZIL.
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Message Attributes

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Film Number: D740137-1129
From: BRASILIA
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1974/newtext/t1974055/aaaaadko.tel
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